



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Ted Stewart  
Executive Director

James W. Carter  
Division Director

355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
801-538-5340  
801-359-3940 (Fax)  
801-538-5319 (TDD)

August 19, 1996

Scott D. Burton  
Treasury Department  
Kennecott Corporation  
10 East South Temple  
P.O. Box 11248  
Salt Lake City, Utah 84147

Re: Updated Surety Amount, Kennecott Bingham Canyon Mining Company, 4th Line Expansion,  
M/035/011, Salt Lake County, Utah

Dear Mr. Burton:

The Division has prepared an updated reclamation surety amount for the 4th Line Expansion portion of permit M/035/011. The surety update escalates the 1990 base amount to 1996 dollars using actual Means Historical Cost Indices. The 1996 amount is then escalated five years into the future using an escalation factor which is the average of the previous three years escalation factors. The new surety amount required by the Division for the 4th Line Expansion is \$6,418,000 in terms of the year 2001 dollars.

As with the previous surety renewal for the UCD Modernization portion of permit M/035/011, a new reclamation contract will need to be prepared and submitted to the Division along with the new surety. A copy of the old (current) reclamation contract for the 4th Line Expansion and a new blank reclamation contract form are enclosed for your use. Please inform us of the form of reclamation surety Kennecott wishes to post so we may provide you with the appropriate surety form. Please contact me or Tony Gallegos here at the Division if you have any questions in this regard.

Sincerely,

D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb

Enclosures: old MR-RC form, blank current MR-RC form & estimate

cc: Elaine Dorward-King, Kennecott

m35-11-4.let



## SURETY ESTIMATE UPDATE

Kennecott Bingham Canyon Mining Company

4th Line Expansion

M/035/011

Salt Lake County

Prepared by Utah Division of Oil, Gas & Mining

filename m35-11u2.wb2

Last Update

08/14/96

### DESCRIPTION:

- This surety update is due to changes in operator name & surety company
- No modifications are being made to the approved plan at this time
- The original surety estimate was prepared in 1990 & amended in 1992
- The base amount in the 1990 estimate was \$4,930,000
- The current 4th Line surety is \$5,300,000 in terms of 1997 dollars
- This estimate adjusts the base amount to 1996 dollars using actual escalation factors
- The 1996 dollar amount is then escalated five years into the future to the year 2001
- File M/035/011 has 2 separate sureties: "UCD Modernization" and the "4th Line Expansion"
- UCD Modernization surety of M/035/011 was updated on 11/7/95 to \$10,429,000 in 2000-\$
- Escalation factors through 1995 are actual Means Historical Cost Indices
- Total disturbed area of M/035/011 covered by 4th Line Expansion surety = **168 ACRES**

<u>CALCULATIONS</u>	<u>YR</u>	<u>ESCAL FACTOR</u>	<u>BOND AMOUNT</u>	
$F = P(1 + i)^n$	1990	0.0077	\$4,930,000	base amount
	1991	0.0127	\$4,992,611	
F = Future Sum	1992	0.0221	\$5,102,948	
P = Present Sum	1993	0.0261	\$5,236,135	
i = Escalation Factor	1994	0.0321	\$5,404,215	
n = number of periods	1995	0.0193	\$5,508,516	
	1996	0.0258	\$5,650,636	
Three Yr Average = 2.58%	1997	0.0258	\$5,796,422	
Used to Project 5 Yrs	1998	0.0258	\$5,945,970	
Into the Future	1999	0.0258	\$6,099,376	
From the Year 1996	2000	0.0258	\$6,256,740	
	2001	0.0258	\$6,418,163	

Updated Surety Amount Rounded (2001-\$)

\$6,418,000

Average cost per acre =

\$38,202 (\$/ACRE)